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Ward, Eber B.

The financial situation

[Detroit]

[1868?]

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# THE FINANCIAL SITUATION.

## *The Price of Gold, and the Causes of its Increased Value.*

*To the Editor of The Detroit Post.*

When the Secretary of the Treasury made his memorable Fort Wayne speech, promising an early resumption of specie payment in the United States, superficial thinkers were led to believe that the Secretary had some financial plan in view that would result in an early accomplishment of his promised hopes. It was expected that a rapid reduction of the currency of the country would be adopted, and by that means alone specie payment would be of easy accomplishment.

A few trials of contraction soon satisfied the Secretary and his advisers that any great reduction in currency would result in revulsion and an inability on the part of the people to meet the heavy taxation necessary for the payment of the interest on the national debt, and it was also feared that such a revulsion as might follow rapid contraction would reduce the ability of the people to purchase foreign commodities to such an extent as to lessen the revenue from imports too largely for the safety of the national necessities. Thus perplexed and hesitating, the Secretary has as yet adopted no fixed policy that is likely to reach the hoped for goal of specie payment, but has allowed the finances of the country to drift along gradually but steadily toward financial embarrassments that in the end will require the ablest and firmest measures to save the country from deep humiliation.

Numerous reasons are assigned by different writers for the failure of the Government to reduce the premium on coin, and for its gradual but steady pressure upward, but as yet I fail to see a single article that embraces all the leading elements that bear prominently upon the subject.

In the report of the treasury on our foreign and domestic commerce of 1863, and published in 1864, page 42, it is stated that the estimated amount of capital held by foreigners in the United States, including state, national, railroad and municipal stocks and bonds, amounted at that time to \$500,000,000. From 1863 to 1867 there has been added a large amount of state, railroad and municipal securities to those held by foreigners in 1863. The New England States alone increased their State debts during the war over \$40,000,000, while all the other Free States added largely to their liabilities, large amounts of which have gone abroad, and some of our most expensive railroads have placed very large amounts of their stock and bonds in Europe during the past four years. Add to all the above about \$1,000,000,000 of our national war debt, sent abroad to pay for trade balances, and we have the enormous aggregate of \$1,500,000,000 of interest-bearing debt now held by foreigners.

Estimating the average rate of interest at six per cent., and we have the handsome sum of \$90,000,000 to pay to Europe annually that does not appear in our custom house returns, but must be sent in coin, bonds or agricultural products.

Our import and export account for 1866 (Treasury Report of 1867), is as follows:

|                                                     |               |                                                    |               |
|-----------------------------------------------------|---------------|----------------------------------------------------|---------------|
| Aggregate imports.....                              | \$437,600,000 | Our exports, exclusive of specie, during the same  |               |
| Less specie imported, about.....                    | 9,000,000     | year, were about.....                              | \$480,500,000 |
|                                                     | \$428,600,000 | Deduct 40 per cent. for currency valuations of ex- |               |
| Add to this 20 per cent. for under valuations and   |               | ports, coin value,.....                            | 192,200,000   |
| smuggling,.....                                     | 85,720,000    |                                                    | \$288,300,000 |
| Actual value of imports, not including freights,... | \$514,320,000 | Add specie and bullion exported,.....              | 82,500,000    |
|                                                     |               | Coin value of exports,.....                        | \$370,800,000 |

Deduct coin value of exports from the coin value of imports, and we have a balance of \$143,520,000 of coin values to pay for in the excess of our foreign purchases over our whole exports. Add to this sum \$90,000,000 of annual interest, and we have an aggregate of \$233,520,000 annual balance to pay to Europe. This balance is paid by selling our national and other securities at about 72 cents on a dollar, and it will take about \$324,000,000 of securities to pay this annual difference between the trade and interest balances constantly accruing against us.

It is no uncommon event for from \$5,000,000 to \$7,000,000 of our national bonds to be shipped to Europe in a single week. This process may possibly last two years longer, but the scarcity of bonds for export will begin to be severely felt by the time \$600,000,000 more of them are gleaned from the country to supply the demands of our foreign customers.

Whenever bonds for export begin to be scarce, more specie will be demanded, and higher prices for coin will be the result; and the people of this country need not be surprised if coin should rule as high as 180 before the 1st of January, 1870.

Free traders, importers and inconsiderate legislators will undoubtedly undertake to evade the discussion of the true causes leading to financial embarrassment and a continuation of the suspension of specie payments; but there is nothing more certain than the fact of large overtrading with foreign countries, and of large shipments of national and other American securities to pay balances, and it is equally clear that a continuance of this process must lead to serious results.

There is but one mode of averting the prospective evil. That is by reducing our imports to a point where our exports of American products will pay for our importations of merchandise and our interest on securities held abroad, reserving at least part of our specie to accumulate in this country, with a view to ultimate resumption.

There are two modes by which importations may be reduced. One is by withdrawing so large a proportion of the currency now in use as to render the people unable to buy commodities of any kind. The other is by increasing the duties on importations to such an extent as to make it unprofitable to import so large an amount as we now do. The first course will be certain to cripple the Government incomes to a dangerous extent. The latter course will promote American manufactures and keep the wheels of our internal commerce active, thereby enabling the people to pay with ease the heavy taxation necessary for support of the national treasury.

Congress and the people may as well begin to look the facts in the face, and if we have statesmen in Congress who desire to forestall an impending financial calamity, they cannot fail to see the necessity for early and firm action. Long delay will find our present system has drifted into a condition from which no statesmanship can extricate the country without revulsion and temporary bankruptcy.

The whole country are now waiting and expecting in the indefinite future a financial collapse. There need be no fear of any such event taking place so long as we can pay foreigners in bonds and stocks, or other promises. But when our national securities become nearly exhausted, nothing can save us from a rapid rise in the price of coin, and a general distrust in all values of commodities throughout the country.

While the United States are comparatively destitute of coin, we find that France has accumulated a fund of \$700,000,000 of coin alone, and England has over \$410,000,000. But the most humiliating feature in this connection is, that after gathering unto themselves nearly all the coin America has minted, they are gradually obtaining a mortgage on the United States, the interest of which, when paid in foreign countries, and in coin, will try the patience and the patriotism of the people of this country more thoroughly than they have been tried at any former period since the close of the war of 1812.

E. B. WARD.

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